Attachment E Fiscal Impacts (Agriculture)

This section discusses a framework for analyzing the effects increased flow augmentation would have on receipts and expenditures of cities, counties, and states.

Methodology

Fiscal impacts are usually specific to the city, county, and state levels and are directly dependent on how and where water would be obtained for flow augmentation and how the acquisition of water was implemented. Much of the Snake River basin lies in Idaho; however, parts of Wyoming, Nevada, and Oregon could also have fiscals impacts from increased flow augmentation. Each state has its own particular tax structure; therefore, fiscal impacts could vary from state to state. Modeled reductions in water supply could be linked to changes in tax collections and the effect on budgets. At this point in the study of improving migration for anadromous fish, specific impact locations are not available. Therefore, a programmatic overview was completed of: 1) how fiscal impacts could be analyzed once specific affected localities were identified, and 2) the types of general fiscal impacts that might occur if a decision were made to provide additional flow augmentation.

A decision to include increased flow augmentation from the Snake River basin as a part of the Corps' preferred alternative to improve migration conditions for salmon would lead to a detailed site-specific fiscal analysis of all areas that would be affected by changes in water usage. While tax and user fees are always subject to conditions in the general business cycle, data from the tax base of each affected city, county, and state could be analyzed to estimate changes in receipts. Any change in receipts, of course, reflects on the level of services provided.

Affected Environment

Fiscal impact analysis projects the changes in receipts and expenditures of a political jurisdiction (city, county, state) resulting from a new development, a major change in the output (gain or loss) of an industry or business, or in this case, a change in the amount and allocation of water in the Snake River basin. Economic impacts consist of changes to the overall economy, while fiscal impacts consist of changes in tax and user fee receipts to state and local governments, as well as potential changes in expenditure requirements.

City, county, and state governments rely on various tax revenue sources to provide goods and services to the citizens of those entities, including police, fire, roads and highways, public education, public assistance, and various other services. In particular, property, sales, and income taxes are generally relied on to generate most of the revenue necessary to support budgets. Other use/consumption taxes such as motor fuel, alcohol, tobacco, estate, and severance taxes are other sources of revenue.

The underlying economic foundation for tax collection is the assessed value of property (property taxes), the amount of taxable retail sales (sales tax), and the amount of taxable income (state and Federal income tax) generated by individuals and businesses. Policy decisions that change the amount and allocation of resources, in this case water, can impact taxes generated; that can directly impact the ability of governments to provide goods and services.
Tax revenues, especially those derived from sales and income taxes, are always subject to conditions in the business cycle and the cyclic ups and downs of the agricultural economy. Policy decisions to increase flow augmentation that directly affect tax revenue sources would lead to evaluation of specific entities' tax bases and the changes in tax revenues that would occur. The link between changes in water supplies that affect irrigation, recreation, and hydropower and the corresponding potential impact on city, county,

and state fiscal budgets may not always be directly apparent; however, key links can be traced to demonstrate how fiscal impacts would be analyzed.

An overview of tax revenue sources in Idaho provides an illustration of how fiscal impacts could be traced. The three major sources of tax revenue in Idaho that would be evaluated are sales tax, income tax, and property tax:

- The sales tax is 5 percent of retail sales and rentals of tangible personal property and certain admission fees (hotel/motel). Exemptions apply to utilities, motor fuel, prescription drugs, and tangible personal property used in manufacturing, farming, processing, mining, and fabricating. A portion (7.75 percent) of sales tax receipts is distributed to Idaho counties and eligible cities based on a formula. In fiscal year 1997, the State collected $623.9 million in sales taxes and distributed $47.8 million to counties and cities. The State also distributes to counties an amount equal to 6 percent of the sales tax receipts as reimbursement for the exemption of business inventory property. This amounted to $37 million in fiscal year 1997.

- Personal income tax is based on Idaho taxable income and ranges from 2 to 8.2 percent. In 1997, State income tax revenue was $831 million. Corporate income tax is up to 8 percent of Idaho taxable income. In 1997, State corporate income tax revenue was $138 million.

- Property taxes are established and collected by individual counties and taxing districts to provide local services. These taxes do not generate revenue for State use; however, the State is responsible for overseeing property tax procedures. In 1997, property tax charges in Idaho were about $764 million.

Table 6-30 summarizes Idaho's assessed valuation and property tax charges by county for tax year 1997. The property tax charge was approximately 1.45 percent of the assessed value for all classes of property.

Table E-1 Idaho Assessed Valuation and Property Tax Charges in 1997.

County	Assessed Valuation ($1,000)	Property Tax Charge ($1,000)
Ada	12,945,840	218,356
Adams	224,810	2,321
Bannock	1,767,072	40,971
Bear Lake	252,513	3,041
Benewah	436,225	4,667
Bingham	965,572	16,131
Blaine	3,906,412	26,568
Boise	324,347	3,522
Bonner	2,483,129	24,134
Bonneville	2,283,394	44,848
Boundary	465,573	4,854
Butte	102,125	1,467
Camas	75,563	744
Canyon	3,345,584	56,785

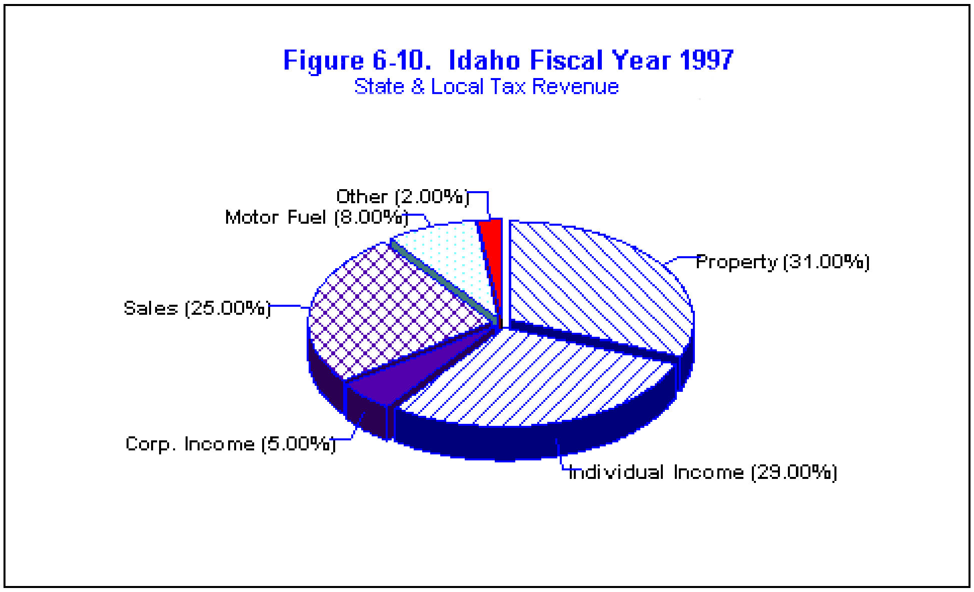
Table E-1 Idaho Assessed Valuation and Property Tax Charges in 1997.		
County	Assessed Valuation ($1,000)	Property Tax Charge ($1,000)
Caribou	510,531	6,391
Cassia	829,453	10,966
Clark	86,081	622
Clearwater	539,900	5,396
Custer	399,083	2,597
Elmore	656,460	10,149
Franklin	260,176	3,757
Fremont	581,418	6,203
Gem	436,313	5,021
Gooding	486,642	6,379
Idaho	692,551	5,521
Jefferson	479,532	6,525
Jerome	601,902	9,318
Kootenai	5,175,025	73,028
Latah	1,100,474	19,748
Lemhi	447,764	3,300
Lewis	211,237	2,752
Lincoln	160,805	2,293
Madison	567,052	8,132
Minidoka	664,087	8,297
Nez Perce	1,934,795	32,070
Oneida	144,729	2,168
Owyhee	362,892	4,298
Payette	545,885	8,855
Power	647,267	9,441
Shoshone	552,801	8,643
Teton	348,354	2,816
Twin Falls	2,083,671	33,385
Valley	1,281,717	11,798
Washington	408,498	5,381
Total	52,775,255	763,659
Source: State of Idaho 1997 Property Tax Levies, Associated Taxpayers of Idaho.		

Idaho property tax collections for 1997 are summarized by property type in table 6-31.

Table E-2 1997 Idaho Property Tax Collections.	
Property Type	Collections($ millions)

Residential	417.9
Commercial/Industrial	232.1
Agricultural	50.7
Timber	12.5
Mining	2.5
Operating	47.9
Total	763.3
Source: State of Idaho 1997 Property Tax Levies, Associated Taxpayers of Idaho.	

Figure E-1 illustrates taxes collected in Idaho for fiscal year 1997 according to revenue sources.



Source: Idaho State Tax Commission, 1997 Annual Report.

Environmental Consequences

hile changes in water supply can influence receipts from sales, income, and property taxes, care should be taken not to extrapolate short-term conditions into long-run norms. Various other external factors also interact in the economy, including the phase of the general business cycle and conditions in the agricultural economy. A key determinant of the impact on city, county, and state budgets, in the case of agriculture, is the ability of producers to change and adapt to the availability of the water resource. Factors like ability to substitute crops, changes in the mix of labor and capital, and the economic operating thresholds of farms, processing plants, and shippers will over time determine the economic viability of these farms and firms and the subsequent tax generation ability.

In general the greater the level of processing and handling of a commodity in the local area, the greater the potential for economic and fiscal impacts. For example, a commodity that is trucked to Portland or Salt Lake after harvest generates less value added to the local economy, and subsequently less tax revenue, than a commodity like potatoes that may be processed, reconstituted into various products, and shipped from the local area to markets. Changes in water supply that affect crops not processed locally would have less local economic impact than would changes that affect potato crops.

Table E-3 identifies potential linkage between tax generation and changes in the usage of Snake River water supplies.

Table E-3 Potential Linkage Between Changes in Usage of Snake River Basin Water Supplies and Tax Generation

Item	Sales Tax	Income Tax	Property Tax
Changes in Usage of Water Supply	Change amount of taxable retail purchases by irrigators and recreation users; Change associated second-round retail purchases; Both backward and forward linked.	Change the value of agricultural output from irrigated farms; Change taxable income from agricultural industry; Change value of goods and services of recreation providers; Change taxable income from recreation industry.	Change income producing capability of irrigated land and business property that provides recreation goods and services; Change assessed valuation of property.
Budgets Affected	City, county, state	State and Federal	County
Fiscal Impacts	Change in sales tax collections; Change in resulting distribution to cities, counties, and states.	Change in state and Federal income tax collections; Change in subsequent appropriations to state and Federal governments.	Change in county property tax collections.